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Agenda item 129

UNITED NATIONS PENSION SYSTEM

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board to the General Assembly at its forty-eighth session. 1/ Additional information was provided to the Committee by the secretariat of the Fund and the Chairman of the Board.

2. As recalled in paragraph 4 of the report of the Board, pursuant to General Assembly resolution 46/220 of 20 December 1991, the next regular session of the Board was to have been in 1994. However, because the Assembly, in its resolution 47/203 of 22 December 1992, requested the International Civil Service Commission (ICSC), in close cooperation with the Board, to finalize in 1993 the comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories, the Board held a special session in 1993. As indicated in paragraph 5 of the report of the Board, a number of other items were dealt with by the Board at that session, including consideration of the administrative expenses of the Fund.

I. COMPREHENSIVE REVIEW OF THE PENSIONABLE REMUNERATION AND CONSEQUENT PENSIONS OF STAFF IN THE GENERAL SERVICE AND RELATED CATEGORIES

3. The matter of the comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories is addressed in paragraphs 15 to 72 of the report of the Board. As recalled in paragraph 34, the Board was unable to reach a consensus at its 1992 session on the methodology for determining the pensionable remuneration of General Service staff. Aspects of the methodology on which agreement was needed at the time of the June 1993 session of the Board are summarized in paragraphs 44 to 63 of the report of the Board. As indicated in paragraph 64, "after extensive informal consultations", the Board, at its June 1993 session, agreed to endorse the use

of the income replacement approach to determine General Service pensionable remuneration, and to the introduction of a common scale of staff assessment for application to all categories of staff in 1997, as recommended by ICSC. This agreement required the reconsideration by ICSC at its July 1993 session of a number of its earlier positions on aspects of the methodology, including in particular the use of 56.25 per cent of net pensionable salary in determining the amount of staff assessment to be included in deriving the pensionable remuneration. Currently 100 per cent of net pensionable salary is used. Since it is not the salary but the pension which may be subject to taxation after retirement, under the proposed income replacement approach, only a portion of the net pensionable salary will serve as the basis for determining the staff assessment factor in the calculation of pensionable remuneration. The factor of 56.25 per cent corresponds to the pension benefit accumulation rate after 25 years of contributory service; the maximum benefit accumulation rate is 66.25 per cent after 35 years of contributory service.

4. As outlined in paragraph 64 of the report, the Board also agreed with ICSC that the income replacement approach should be introduced on the occasion of the first salary adjustment due on or after 1 April 1994; it also requested ICSC to "give favourable consideration to phasing in over two/three successive salary adjustments any negative effect of the use of the income replacement grossing-up factor".

5. As stated in paragraph 65 of the report of the Board, at its July 1993 session, ICSC decided to recommend to the General Assembly that 66.25 per cent should be used, instead of 56.25 per cent, as the grossing-up factor under the income replacement approach. As indicated in paragraph 49 of the report of the Board, the use of the 66.25 per cent factor would result in reductions of pensionable remuneration ranging from 1.2 to 1.9 per cent, as against reductions ranging from 1.8 to 2.6 per cent under the 56.25 per cent factor. The Commission also decided to consider in 1996 the periodicity for more frequent reviews of staff assessment rates in the context of recommending the rates for the common staff assessment scale to be implemented in 1997.

6. The Board and ICSC are therefore in agreement, both as to the objectives and the major features of the revised methodology to determine the pensionable remuneration. The Committee notes that the revised methodology, if adopted by the General Assembly, will result in a significant reduction over time of the income inversion anomaly.

7. The Advisory Committee welcomes the agreement reached in the Board by all the affected parties, as well as the close cooperation between the Board and ICSC. The Advisory Committee trusts that such cooperation will also prevail when the common scale of staff assessment for application to all categories, to be introduced in 1997, is developed. The Advisory Committee also trusts that the common scale, once introduced, will be carefully monitored so as to prevent the occurrence of any future anomalies.

II. ADMINISTRATIVE EXPENSES

8. As stated in paragraph 73 of the report of the Board, the Regulations of the United Nations Joint Staff Pension Fund provide that expenses incurred by the Board in the administration of the United Nations Joint Staff Pension Fund shall be met by the Fund; i.e., the expenses are a charge entirely on the Fund and do not, in any way, involve the budget of the United Nations or of any other member organization of the Fund.

9. The Regulations of the Fund also provide that "the expenses incurred in the administration of these Regulations by a member organization shall be met by that organization". Because the United Nations Staff Pension Committee is serviced by the central secretariat of the Fund, which is located at United Nations Headquarters in New York and at Geneva, the United Nations shares in the expenses of the central secretariat. In conformity with an apportionment agreed to by the Board and the General Assembly, the United Nations share of the expenses of the central secretariat of the Fund includes one third of the total cost of established posts and a contribution to the identifiable costs of communications. That amount, minus the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) share of such costs, is included in the regular budget of the United Nations. Consequently, the estimates of administrative expenses contained in the report of the Board as a charge to the Fund (see paras. 10-17 below), include two thirds of the total cost of established posts.

10. The revised estimates of $40,769,000 for 1992-1993, comprising $12,839,900 in administrative costs and $27,929,100 in investment costs, are $365,400 higher than the initially approved appropriations of $40,403,600 as discussed in paragraphs 81 and 82 of the report of the Board and supported by annex III, table 1.

11. The budget estimates for the biennium 1994-1995 amount to $39,291,900, comprising $12,609,200 for administrative costs and $26,682,700 for investment costs. Table 2 of annex III to the report provides a comparison of these estimates with the initial appropriations for 1992-1993. The proposed staffing table is provided in annex III, table 3.

Administrative costs

12. The estimates of $12,609,200 for administrative costs include resource growth totalling $985,700, including non-recurrent costs in the amount of $516,800 for data processing to cover consulting fees in connection with further development of the new computer systems, as well as the cost of acquiring software packages. In this connection, the report of the Board includes a listing in annex III of the target dates for development of the new computer systems.

13. In response to inquiry concerning the new computer systems, the Advisory Committee was informed that the change in work methodology required by the implementation of the new systems has entailed a significant adjustment on the part of the involved staff. As stated in paragraph 79 of the report, "this transition requires a great deal of retraining of staff, as well as fine tuning of the newly installed systems, both as regards hardware enhancement and

software development. The secretariat has experienced serious difficulties in coping, in a timely manner, with both the changes in work methods brought about by the new computer systems and the processing of the heavy volume of day-to-day correspondence and inquiries." In the opinion of the Advisory Committee, the importance of staff development and training cannot be understated if full utilization of the functions possible under the systems is to be achieved. It therefore trusts that the retraining of staff will be accorded the necessary priority.

14. The estimates include recurrent resource growth of $412,100 for established posts and related staff costs, as outlined in paragraphs 86 and 87 of the report of the Board. On the basis of the information provided, the Advisory Committee has no objection to the proposals contained therein. At the same time, the Advisory Committee, while welcoming the expansion of the role of the Geneva office, urges that the workload and role of the Geneva and New York offices be carefully defined so as to preclude any potential duplication.

15. The Advisory Committee notes from annex III, table 2, that an amount of $903,400 has been included in the budget estimates for 1994-1995 to cover the rental and maintenance of equipment. At its request, the Advisory Committee was provided with a breakdown of costs under this provision. The Advisory Committee recommends that future budget submissions provide a more transparent explanation of the cost of maintaining the new systems.

Investment costs

16. The estimates of $26,682,700 for investment costs, which are discussed in paragraphs 91 to 100 of the report of the Board, include a net negative growth of $1,079,300. The Advisory Committee notes that this relates primarily to an anticipated decrease in advisory and custodial fees owing both to a new custody structure expected to be implemented by mid-1994 and to more favourable rates owing to greater competitiveness among the providers of custodial services.

17. The Advisory Committee understands that the Board has requested that a report on the custodial arrangements of the Fund be submitted at its next session. The Advisory Committee requests that a summary of that report and the comments of the Board thereon be included in the report of the Board to the General Assembly next year. The Advisory Committee trusts that the report will address not only the cost-effectiveness of the new arrangement but all other related aspects, including legal and security issues. With regard to the question of cost-effectiveness, the Advisory Committee notes that while it is envisaged that advisory and custodial fees will decrease under the new arrangement, other costs (e.g., communications and consultants) will increase. The Committee requests the Representative of the Secretary-General for the investments of the Fund to keep this matter under close review.

18. The estimates for investment costs include, as stated in paragraph 100 of the report, an amount of $250,000 for office furniture and fixtures. In response to inquiry, the Committee was informed that this provision was designed to improve the working conditions occasioned by the construction of modular work stations, reported on in the Board's report to the General Assembly at its

forty-sixth session. 2/ Given the nature of their work, it is felt that enclosed offices will provide a more conducive working atmosphere for investment officers.

19. The Advisory Committee notes that in line with the biennialization decision, the Board would normally report to the General Assembly on investments of the Fund and on the financial statements only in even-numbered years. However, in view of its special session and consequent submission of a report to the Assembly, the Board has included information on the investment return during the year ending 31 March 1993 and the financial statements and schedules. As stated in paragraph 13 of the report, "the market value of the assets of the Fund as at 31 March 1993 was $11,407 million, i.e., $1,296 million more than a year earlier. The total return for the year was 11.6 per cent which, after adjustment by the United States consumer price index, represented a 'real' rate of return of 8.2 per cent." The Advisory Committee notes that this was the eleventh consecutive year in which a positive investment return was achieved by the Fund.

20. In accordance with past practice, and in view of the continuing need, the Board has recommended that it should be authorized to supplement the voluntary contributions to the Emergency Fund by an amount up to $200,000, for the biennium 1994-1995. The Advisory Committee has no objection to this proposal.

Notes

1/ Official Records of the General Assembly, Forty-eighth Session, Supplement No. 9 (A/48/9 and Corr.1).

2/ Ibid., Forty-sixth Session, Supplement No. 9 (A/46/9).

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THE SITUATION OF DEMOCRACY AND HUMAN RIGHTS IN HAITI

Letter dated 19 October 1993 from the Permanent Representative of Argentina to the United Nations addressed to the Secretary-General

I have the honour to inform you that, in accordance with Security Council resolution 875 (1993), the Government of the Argentine Republic has decided to dispatch a vessel of the Argentine Navy in order to ensure compliance with Security Council resolution 841 (1993) relating to the supply of petroleum of arms and, in particular, to detain all ships bound for Haiti whenever necessary in order to inspect their cargo and verify their destination.

In this regard, Argentina urgently calls upon the parties concerned to do everything to facilitate the work of the Special Envoy of the Secretary-General of the United Nations and the Secretary-General of the Organization of American States, Mr. Dante Caputo.

At the same time, Argentina hopes that when constitutional order is restored in Haiti, the international community will furnish assistance and aid to the Haitian people so that it may resume its integrated development.

I should be grateful if you would have this letter circulated as an official document of the General Assembly under agenda item 31.

(Signed) Emilio J. CARDENAS
Ambassador
Permanent Representative

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GENERAL DEBATE

Letter dated 13 October 1993 from the representative of Saudi Arabia to the United Nations addressed to the President of the General Assembly

In my statement delivered on behalf of His Royal Highness Prince Saud Al-Faisal, the Minister for Foreign Affairs of the Kingdom of Saudi Arabia, before the 28th plenary meeting of the forty-eighth session of the General Assembly today, 13 October 1993, a paragraph was inadvertently omitted.

I would appreciate it if you could circulate the enclosed paragraph as an official document of the General Assembly under agenda item 9.

(Signed) Gaafar M. ALLAGANY
Ambassador

ANNEX

We note with much regret the continuation of the crisis between the United Arab Emirates and the Islamic Republic of Iran concerning the sovereignty over the islands of Abu Musa, the Greater and Lesser Tunbs, the basis of which originated with the occupation by Iran of the two Tunbs, and the unilateral action by Iran on Abu Musa. We reiterate our support for all measures which the United Arab Emirates may take to regain its sovereignty over these islands; at the same time we ask the Islamic Republic of Iran to revoke all measures that it has taken in this respect, and to strive towards finding a solution to this problem through negotiations and the rule of international law and legitimacy.